Information Memorandum No. 99-52
Memorandum For Cdrs DCMDs, DCMC CAOs
Subject: Lesson Plan – Guidance on Writing Single Process Initiative (SPI) Concept Papers (INFORMATION)
Date: November 30, 1998
Target Audience: All DCMC Personnel

New Information/Guidance/Tools:

- A significant number of concept papers have been withdrawn because they did not capture all the required elements that satisfy all stakeholders.
  - Effective communication is the key to success.
  - CAOs should aggressively encourage and assist contractors in developing proposals.
- The attached Lesson Plan provides guidance on writing a good SPI concept paper.
  - The guidance outlines the elements that should be included and stresses the importance of using performance based language to the maximum extent possible.
- Properly written concept papers can play an invaluable role in assuring the future success of SPI.

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Lesson Plan

Guidance on Writing a Single Process Initiative (SPI) Concept Paper

Background

- The Secretary of Defense issued guidance in December 1995, allowing the Department of Defense (DoD) to eliminate multiple processes within contractor facilities.

- This initiative is known as the Single Process Initiative (SPI); it is sometimes referred to as the block change initiative.

- Contractors submit proposals/concept papers to reduce multiple, Government-directed business or manufacturing processes at a given site to a single process, where possible.

- The SPI program modifies all applicable Government contracts via block change procedures to ensure that the benefits are not offset by administrative expense.

Definition of a Concept Paper

- A concept paper is a definitive paper that describes the process the contractor proposes to adopt, the methodology for moving to that process, and a cost benefit analysis adequate to determine a rough order of magnitude of the costs and benefits resulting from the proposed change (including any impact on the cost of performance of existing contracts).

General

- A concept paper may involve a proposal to combine multiple processes into one process (a single process) or an improvement to an existing process (process re-engineering).

- Communication is the key to preparing a successful concept paper.

    - From the beginning contractors, customers, the Defense Contract Management Command (DCMC), and the Defense Contract Audit Agency

(DCAA) should conduct open discussions to explore the viability of proposed changes.

- Although contractors are responsible for preparing and submitting concept papers, Government representatives should encourage and assist contractors in developing the papers.

- The Contract Administration Office (CAO) acts as the primary industry interface; the CAO proactively informs contractors about the single process approach and advises them on how to prepare and submit initial concept papers and more detailed proposals if necessary.

- A risk assessment methodology to identify contractor candidates includes, as a minimum, an assessment of the criticality of the product base to national defense; the magnitude of Department of Defense dollars; and the potential for SPI improvement opportunities.

- Geographical CAOs should approach contractors with the highest potential for return on investment; the approach selected should be tailored to the individual contractor and include a profile that describes potential processes for SPI involvement as well as other Acquisition Reform opportunities.

- When appropriate, CAOs should work with prime contractors to encourage participation by subcontractors.

- CAOs should use Management Councils to facilitate timely and constructive exchange of SPI information, and make recommendations for approval.

- Once a contractor has committed to participate in SPI, the first step is to assess areas where there is potential for adaptation of a single process.

  - There are obvious candidates for conversion to single processes when an objective assessment is made of the multiplicity of military specifications and standards and duplicative requirements that are imposed on existing contracts by different customers for the same management and manufacturing processes.

  - Based on all SPI activity as monitored by DCMC, the most frequently proposed process changes include the requirements for the quality system; configuration management; calibration standards; material review;

cost data reporting; military soldering; subcontractor approval; property management; and test requirements.

- The success of SPI depends greatly upon the speed with which the block change is implemented.

  - The expeditious implementation of technically acceptable single processes can significantly decrease the costs of performance and facilitate the realization of the full benefits of the Acquisition Reform Initiatives.

  - The Under Secretary of Defense (Acquisition and Technology) established a cycle time goal of 120 days from the establishment of a concept paper to the date of the block change modification; this goal should be adhered to except where technical or cost benefit assessments cannot be adequately performed within that timeframe.

  - The four step process comprising the 120 day cycle time are: Proposal Development (30 days), Approval (60 days), Contract Modification (30 days), and Implementation.

  - CAOs should not start the 120 clock with the submission of an "idea paper;" such a paper usually contains only a brief description, an estimated rough order of magnitude cost impact, and a statement of the probability of success – it is used to present ideas to the Management Council or to gather information to prepare a concept paper.

  - Once the CAO receives a concept paper, regardless of whether the paper is acceptable or definitive, the clock begins to click.

  - The clock cannot stop or be restarted while awaiting an acceptable or definitive paper.

  - CAOs should report receipt of the concept paper as soon as it is received and use the remainder of the initial 30 day period to obtain additional data as needed.

  - Disagreements should be escalated up through the chain of command.

- To the maximum extent possible, the concept paper should be written in performance based language; it should be concise, yet definitive. There is no specified page count (generally two to five pages are common).

- State process requirements in terms of specified results.

- Include criteria and methods of performance measurement for verifying compliance, without stating methods and procedures for achieving the results.

- Emphasize the outcomes rather than the mechanics of the process ("what is needed" and not "how to").

- Allow flexibility to seek innovative solutions on how to achieve specified results (emphasize "results-oriented requirements rather than "how-to" contract requirements).

- Avoid inappropriate application of MIL-SPECS or MIL-STDS; use commercial standards or measures of performance when available.

Contents of the Concept Paper

A "definitive" concept paper includes elements needed to effectively evaluate a proposed change and allow rapid judgment by the Administrative Contracting Officer (ACO). Although some of these elements may not always apply in specific situations, a definitive concept paper would generally include the following:

- Title
- Descriptive Summary
- Planned Transition Approach
- Implementation of Proposed Process
- Proposed Metrics
- Cost Benefit Analysis
- Impact on Contracts
- Assessment of Changes in Government's Involvement
- Statutory/Regulatory/Contractual Changes
- Identification of Contractor and DCMC Subject Matter Experts

Specific information to be included in these elements is provided in the Template at attachment 1.

Additional Guidance

- Attachment 1 (Template for Concept Paper).

- Attachment 2 (SPI Performance Based Contract Block Change Guidance, developed by the Integrated Product Team that was chartered by the Block Change Management Team).

Summary

- It is important to remember that a concept paper can come in many different formats and styles because it needs to be tailored to the specific process and situation prevailing at a particular location.

- The fact that some elements listed above may not be included in a particular concept paper does not necessarily make the paper inadequate; it is expected that additional information requested by the local Management Council can be supplied to the cognizant ACO during the review process.

    - The bottom line is: time is money. Do not let preconceived ideas or checklists “block” the Block Change process.

TEMPLATE

Single Process Initiative (SPI) Concept Paper

Title:

- [Use a discrete subject title that concisely captures the nature of the process being proposed].

Descriptive Summary:

- [Identify the existing contractual requirement that will be replaced/modified].
- [Describe the proposed process improvement (e.g., replace Military Standards/ Specifications with commercial performance standards)].
- [Provide background information on existing process and purpose of proposed change (e.g., reduce packaging material cost and labor hours through implementation of the bulk quantity packaging process)].
- [The descriptions should be in sufficient detail so the Government can determine if a detailed cost impact proposal for current contracts will be required].

Planned Transition Approach:

- [Develop methodology to move to the proposed common process and a schedule for transition].

Implementation of Proposed Process:

- [Identify any perceived impact on quality or schedule].
- [Describe how quality and schedule will be maintained during the transition].

Proposed Metrics:

- [Identify proposed metrics to measure the effectiveness and compliance with the proposed change (e.g., Reports of Discrepancies from customers, feedback on packaging problems, and successes that have been achieved)].
- [Describe how acceptability and reliability (Technical Feasibility) of the process will be demonstrated].

Cost Benefit Analysis:

- [Present a rough order of magnitude analysis which includes current and future cost and savings (show net cost savings as there may be initial costs associated with implementation)].
- [Determine if implementation is advantageous (cost effective) to the Government.
- [Base information on empirical data].
- [Identify requirements to be deleted along with an estimated annual savings to existing contracts; if the impact on a particular contract or program is material, provide details by contract or my customer].
- [Include an estimate of annual future savings forecasted for the period covered by contractor's indirect expense rate forecast (usually five years)].
- [Break down estimated costs and savings by normal direct and indirect cost elements and identify recurring costs vice non-recurring costs and savings].
- [Will the Government recognize savings in the way of lower overhead rates to be used in pricing products in future years?].
- [Will forward pricing rate agreements be affected?].
- [If monetary costs do not exceed implementation costs, identify how change will benefit the Government (e.g., increased quality, faster deliveries, etc.)].
- [Perform analysis without requesting certified cost or pricing data].
- [Usually, the same information prepared by the contractor to obtain management approval for the proposed change will suffice].

Impact on Contracts:

- [Describe the impact (program risk) to the Government and the contractor if the proposal is approved or disapproved].
- [Identify contracts and customers impacted if the paper is approved].
- [Include all prime contract numbers if they can be identified at the time the concept paper is developed].
- [The contracts listed should include candidate Government contracts for change implementation on which the contractor is a subcontractor; identify the applicable prime contractors, the subcontract numbers, and the cognizant ACOs) and indicate that the concept paper is being submitted to prime contractor customers for review so that "parallel processing" can be performed].
- [Explain the impact on existing contracts and an assessment of future impacts on such areas as quality, delivery schedules, performance milestones, product shipments, warranty provisions, maintenance, life cycle costs, etc.].

Assessment of Changes in Government's Involvement:

- [Include an assessment of changes required in the Government's involvement in the process (for example, will the change result in reduced Government oversight or less time spent in contract negotiations?)].

Statutory/Regulatory/Contractual Changes:

- [Explain any required statutory/regulatory/contractual changes (include specific wordage to be added and identify language to be deleted)].

Identification of Contractor and DCMC Subject Matter Experts:

- [Provide names and telephone numbers of the contractor and DCMC subject matter experts who can be contacted to address technical questions regarding the proposed process change].

SINGLE PROCESS INITIATIVE (SPI) PERFORMANCE BASED CONTRACT BLOCK CHANGE GUIDANCE (8/28/98)

This document provides guidelines for preparation of SPI proposals and contract changes in performance language per USD(A&T) Memorandum, "The Single Process Initiative – A Long Term Perspective," 3 June 1998.

Definition:

A Performance Based Contract Block Change states process requirements in terms of specified results with criteria for verifying compliance, without stating methods and procedures for achieving the results. Performance Based Block Change modifications change "how-to" contract requirements to results-oriented requirements allowing greater contractor flexibility. It may affect functional, interface, interchangeability, or other performance requirements for the desired output(s).

Acquisition Reform Principle:

An overarching goal of acquisition reform is to reduce costs, remove barriers, and promote business efficiencies between government and industry. SPI is the mechanism for implementing block changes to existing contracts. Use of Performance Based Contract Block Changes, in lieu of government-imposed specifications, standards, processes, and management systems, places increased responsibility on the contractor for meeting contract requirements. Performance-based requirements provide industry the flexibility to seek innovative solutions and supports DOD's goal of civil/military integration.

Performance Based Contract Block Change Application:

Performance Based Contract Block Change modifications should be written in performance language whenever practicable. It is the preferred approach for the contractor's proposed SPI block change(s). However, due to variations in organizations, business practices, and product requirements, it may not be feasible for every block change to be in performance terms. Performance language for a contract block change provides flexibility so that process improvements or changes can be pursued without having to negotiate additional contract changes. Performance Based Block Changes should be based on assessments of risk, adherence to overall requirements, as well as good business judgment and common sense.

When developing SPI proposals and Performance Based Contract Block Changes,

Look to apply the following:

Requirements stated in terms of results and criteria for verifying compliance.

Block changes that clearly state “what we need” and not “how to.”

Technical and schedule requirements stated in terms of results.

Contractor flexibility on how to achieve specified results.

Criteria and methods of performance measurement.

Clearly defined deliverables and reporting requirements.

Appropriate use of warranties and incentives (positive or negative) tied to process and product performance.

Key characteristics, interface requirements, and performance parameters.

Flexible language that allows contractor process improvement, and use of best practices and advanced technologies.

Manageable and acceptable risk.

Look to avoid the following:

Detailed processes, work methods, or procedures defining “how” a design, manufacturing, or management requirement is to be achieved or performed.

Requirements that are not measurable or verifiable.

Language that constrains the contractor to a single approach.

Mandatory processes or management systems that restrict flexibility or innovation.

Inappropriate application of MIL-SPECS or MIL-STDS.

Adverse impact on performance and supportability (e.g., function, interface, interchangeability, reliability, maintainability).

Additional Guidelines:

Management Councils should not apply Performance Based Contract Block Change guidelines retroactively to redo previously approved block changes unless proposed by the contractor.

Performance based standards, interface standards, and standard practices (defined in the DoD Index of Specifications and Standards (DODISS), may be used when appropriate, in Performance Based Contract Block Changes. Also, a Performance Based Block Change does not restrict use of processes directed by DoDD 5000.1, DoD 5000.2-R, FAR, DFARS, or public law.